



**Downhill Ski Area - GPC/Staff Subgroup**

**Planning Document – Version 1.0**

**For Presentation to GPC**

**September 9, 2013**

**Downhill Ski Area  
Planning Document  
Table of Contents**

I.	Background	Page 3
II.	Market Comparative Analysis	Page 5
III.	Operational and Financial Performance	Page 7
IV.	Facility Needs Analysis	Page 13
V.	Planning Issues and Assumptions	Page 18
VI.	Facility/Project Requirements	Page 20
VII.	Appendices	Page 22
	A. Historical Operating P&L's	
	B. Analytical Usage and Revenue Tables/Charts	

## **I. Background**

The Downhill Ski Area is one of six amenities operated by Tahoe Donner Association that is open to the public.

Sixty-eight percent (68%) of the revenue collected at the Downhill Ski Area is derived from Public Use, 22% from Members and 10% from Guests. The Downhill Ski Area is responsible for 26% of all Tahoe Donner amenity revenue and contributes the highest Net Operating Results (NOR) of all amenities. We have concluded, therefore, that we need to make sure that the Public use of this amenity is maintained while serving member needs.

The ski area is positioned as the ideal ski area for families and first-timers, serving members and guests, and the general public. We have found our key market niche is the “Best Place to Begin”. The ski area has 120 acres of beginner and intermediate terrain, a wide-open bowl, and an experienced staff to assist new and returning guests through the learn-to-ski/snowboard experience.

The ski hill rises from an elevation of approximately 6,750 at the lodge at the base to an elevation of 7,350 at the top of the north-facing hill. With two chair lifts and three conveyor lifts, small size, and easy accessibility, Tahoe Donner offers a unique experience and ambience for families with children at a reasonable cost.

The operating season is from mid-December to mid-April, giving us a 120-day operating season, weather conditions permitting. The ski area is open daily from 8:00 a.m. to 4:30 p.m., seven days a week, with the lifts operating from 9:00 a.m. to 4:00 p.m. daily.

The lodge, which is approximately 14,200 square feet in size, includes a cafeteria and bar, indoor seating, rental shop, retail area, Snowflakes ski school for children, adult ski school, ticket office, guest lockers, and support areas for ski school locker room, storage spaces for food service and rental shop, bathrooms, ski patrol, office space, employee break room, etc. In addition, there is an approximately 4,200 square foot south facing deck that provides seating/eating area in good weather.

The operation consists of eight departments: Winter Food and Beverage, Mountain Operations, Lift Maintenance, Retail, Rental Shop, Ski and Snowboard School, Snowflakes Ski School, and Ticket Office. There are approximately 185 employees who work for the ski area during the operating season, and 4 year round employees.

Tahoe Donner offers group ski lessons for children as young as three years old (Snowflakes), group snowboard lessons for children as young as seven years old, private ski and snowboard lessons for all ages, rental equipment, retail goods, food and beverage services, group discounts and a number of unique special events.

The ski area has been on a positive trend over the past five years with the exception of 2011/12 when we were unable to open for the Christmas/New Years holidays – a period where we can generate up to 25% of our total revenue. Therefore, it is recognized that variable weather and snow conditions can contribute to the risk of producing these positive operating results.

The base lodge was first constructed in 1971. During the past 5 years there have been several remodel and upgrade projects, the last one was completed in December 2009. Despite the improvements, the building is severely undersized for its current level of use on peak days. The dated design, configuration, and odd size impose a number of operational and space constraints. The condition of the build is such that structural remodeling is cost prohibitive.

The General Plan Committee, working collaboratively with staff and the Senior Alpine Ski Club, has been reviewing concepts and a timeline to improve the Downhill Ski Area facilities.

## **II. Market Comparative Analysis**

Staff has chosen four ski areas in our region: Boreal Mountain Resort, Soda Springs Ski Area, Donner Ski Ranch, and Diamond Peak for comparison because of their similar market segment, size, and/or proximity to Tahoe Donner Downhill Ski Area. A benchmark chart can be found for all ski areas in our region at the end of the section.

It is important to note that Tahoe Donner is operated by and within the context of a homeowner's association primarily for the benefit of its members and not as a separate for profit ski resort. However, providing a high quality customer service experience, especially during key weekend and holiday periods, is deemed highly important to sustain high levels of operational and financial performance.

### **Boreal Mountain Resort**

Located just off of Interstate 80 on Donner Summit, Boreal has 480 acres, seven lifts, and offers services similar to Tahoe Donner: lift tickets, ski and board rentals, private lessons, group lessons, retail, food and beverage. Other services include night skiing – lifts run until 9 pm daily, and Playland Sledding. Playland Sledding offers groomed sledding lanes and is located at the west end of the Boreal parking lot. Their newest facility upgrades includes Tahoe Woodward, which is an extreme sport training facility for all ages.

### **Soda Springs Ski Area**

Soda Springs Ski Area is the most similar to Tahoe Donner with 200 acres, two chairlifts, and two rope tows. Soda Springs first opened for commercial skiing in 1931. The lodge has been renovated since then, but the majority of the original structure still exists. Soda Springs offers services similar to Tahoe Donner: lift tickets, ski and board rentals, private lessons, group lessons, retail, food and beverage. Additional services include tubing, mini-snowmobiling, and Planet Snow Kids. Planet Snow Kids is a fenced in area designed especially for children 8 and under. This area has a conveyor lift for first-time skiers and riders, a tube lane, and a tube carousel.

### **Donner Ski Ranch**

Donner Ski Ranch is another older operation, which offers approximately 460 acres with 6 chair lifts and 2 conveyor lifts. This resort is one of the most affordable resorts in the area and offers similar services to Tahoe Donner: lift tickets, ski and board rentals, private lessons, group lessons, retail, food and beverage. Additional services include tubing.

### **Diamond Peak Ski Resort**

Diamond Peak Ski Resort offers 655 skiable acres with 6 chair lifts. Diamond Peak is a very reasonable considering the products they offer and the location. This is a very family friendly area, and offers a new skier services building which houses all their ski school lessons, ticketing, and ski patrol. Diamond Peak offer similar services to Tahoe Donner: lift tickets, ski and board rentals, private lessons, group lessons, retail, food and beverage.

## Pricing

Pricing our products and services requires consideration of a number of factors: price sensitivity of our customers, our competitor’s pricing levels, and perceived value.

Price Sensitivity - Our market segments are not as price-sensitive as those of other ski areas in the region, especially when considering specific service options. An example is private lessons. Three years ago, we increased the cost of a private lesson by 22% (from \$70 to \$89 per hour). Since that time private lessons have increased by 11%. That same year, we increased our adult all-day lift ticket price by 21% (from \$34 to \$43), and we have seen skier totals remain steady in subsequent seasons, aside from the low snow years. For those customers who are price sensitive, we will offer aggressive midweek (non-peak) discounts. This tactic serves a dual purpose of offering a discount for the price-sensitive customer, and at the same time, helping to increase midweek business.

Competitors’ Pricing Levels - We are priced well in relation to our competitors. Lift ticket and rental pricing is competitive with Soda Springs and Boreal, lesson pricing is very similar as well. Competitors’ price levels (as well as services) are benchmarked annually to be sure we continue to position our ski area appropriately relative to our competition.

Perceived Value - Perhaps the most significant consideration for the Tahoe Donner Downhill Ski Area, relative to pricing, is the level of perceived value our customers experience when visiting our hill. Our guests, who tend to have a high level of disposable income, seem to be willing to spend a bit more if the products and services are of a quality that warrants the cost. If we provide a safe, family-friendly experience for our target market – we deliver “the best place to begin” - they will be willing to spend a bit more, reducing the chance of losing them to a ski area that may have a product that is a few dollars cheaper, but does not offer as positive an experience for the family.

### Benchmark Chart

Ski Resorts	Skiable Acres	Vertical Rise	Lifts	Adult reg.	Adult Holiday	Child Reg.	Child Holiday	Child Care	Shuttle Bus	Lessons %	Rentals %
Diamond Peak	655	1,840'	6	\$59	\$64	\$20	\$25	no	yes		
Boreal	480	500'	7	\$52	\$59	\$42	\$44	no	no		
Donner	460	750'	7	\$49	\$49	\$20	\$20	no	yes		
Soda Springs	200	650'	5	\$36	\$36	\$25	\$25	no	no		
Tahoe Donner	120	600'	5	\$43	\$43	\$21	\$21	no	yes	20%	34%

### III. Operational and Financial Performance

#### Skier Utilization and Demographics

The following tables describe the overall skier utilization and demographics (member, guest, and public) usage for the Downhill Ski Area excluding the 2011/2012 season because of unusually poor weather and low utilization.

	% of Capacity											
	Midweek			Weekends			Prime Holidays			Regular Holidays		
	2009-2010	2010-2011	2012-2013	2009-2010	2010-2011	2012-2013	2009-2010	2010-2011	2012-2013	2009-2010	2010-2011	2012-2013
<b>Skier Use Capacity</b>	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Use % of Capacity	14%	12%	12%	60%	47%	41%	116%	136%	121%	50%	52%	68%
<b>Ski School Capacity</b>	150	150	150	150	150	150	150	150	150	150	150	150
Ski School % of Capacity	13%	16%	28%	58%	41%	76%	123%	144%	204%	53%	75%	126%
<b>Snowflakes Capacity</b>	70	70	70	70	70	70	70	70	70	70	70	70
Snowflakes % of Capacity	22%	20%	22%	79%	64%	66%	108%	160%	139%	61%	84%	85%
<b>Rental Capacity</b>	425	425	425	425	425	425	425	425	425	425	425	425
Rental % of Capacity	15%	15%	15%	62%	48%	50%	120%	131%	150%	53%	70%	90%

	Interesting Data											
	2009-2010	2010-2011	2012-2013	2009-2010	2010-2011	2012-2013	2009-2010	2010-2011	2012-2013	2009-2010	2010-2011	2012-2013
Rental % of Uses	40%	46%	41%	39%	38%	40%	41%	38%	41%	42%	53%	44%
Ski School % of Uses	11%	14%	28%	11%	10%	22%	12%	12%	20%	12%	17%	22%
Member % of Uses	22%	19%	16%	24%	21%	20%	29%	28%	26%	23%	26%	22%
Guest % of Uses	7%	5%	7%	10%	9%	10%	9%	9%	11%	7%	8%	10%
Public % of Uses	71%	76%	77%	66%	70%	70%	62%	63%	63%	70%	66%	68%

From the data above we can see that we are greatly impacted during prime holiday periods when most people are visiting the mountains on vacation. You can also see that our ski school is also greatly impacted on regular and prime holiday. This, of course, is the strength of our ski area being the best place to begin. Rental usage stays about the same across the board with about 42% of users using our rental equipment, which is extremely high for the industry.

Exact Member, Guest, and Public usage is difficult to determine, because Members receive discounts only on lift tickets, so members purchasing LLR packages (lift, lesson and rentals) are included under the Public uses. Guests receive a discount only on adult full day lift tickets, so guests purchasing: LLR packages, half day lift tickets, and children 12 and under are being counted under Public. We believe the user mix is Members-22%, Guests-10%, Public- 68%.

## Lift Ticket Sales

Access revenue is generated through the sale of daily lift tickets, season passes, and ticket, lesson and rental packages. The tables in this section contain 5 years of historical data, all expressed on a season basis, not a calendar year basis.

For comparison, target operating capacity is considered to be 1,300 skier visits a day. While we have experienced crowds as high as 2,200 skiers on a day, our target operating capacity is 1,300 skiers/day. Above this level, parking, ticket sales, equipment rentals, lessons, food service, restrooms, lift access, and mountain operations become highly congested and the customer experience deteriorates significantly.

Depending on the mix of skiers, the level of utilization, the time of day, and the period in the season, management can make some operational changes to mitigate the impact of high levels of utilization to some degree up to a level of 1,800 skiers/day, but the lodge is still heavily congested and customer service is lower than desired.

**Midweek** (*Normally 72 days*) - We face the same challenges as all ski areas with low midweek utilization, which has averaged 12% of operating capacity over the past 5 seasons. We have improved utilization during midweek periods by using midweek promotions. This is an area we can target for improved utilization.

Historical Midweek Average				
2008-09	2009-10	2010-11	2011-12	2012-13
158	185	159	142	155
Average				160

**Non-Holiday Weekends** (*Normally 30 days*) - Usage has averaged about 46% of operating capacity over the past five seasons. There is opportunity for growth during these periods, but depends a lot on weather conditions.

Historical Non-Holiday Weekend Average				
2008-09	2009-10	2010-11	2011-12	2012-13
623	785	605	416	530
Average				592

**Regular Holidays** (*Normally 14 days*) - Usage has averaged around 51% of capacity over the past five seasons. The results vary by year due to the impact of variable weather and snow conditions and the manner by which the holidays fall each year.

Regular Holiday Average				
2008-09	2009-10	2010-11	2011-12	2012-13
398	655	677	433	878
Average				668



**Prime Holidays** (Normally 10 days) - Usage has averaged around 113% of capacity over the past five seasons. The results vary by year due to the impact of variable weather and snow conditions, as was the case in 2011-12, and the manner by which the holidays fall each year.

Prime Holiday Average				
2008-09	2009-10	2010-11	2011-12	2012-13
1,382	1,511	1,772	1,112	1,568
Average				1,469

The chart below shows the impact on overall skier days throughout the season:

	Total Skier Utilization					
	5-Year Historical Averages			Targets		
	Actual Skier/Day	Actual # of Days	Annual Skier Total	Target # of Days	Target Skier Totals	Target Skier Totals
Midweek	160	65	10,400	70	165	11,550
Non-Holiday Weekend	592	30	17,760	30	600	18,000
Regular Holiday	668	11	7,348	14	700	9,800
Prime Holiday	1,469	10	14,690	10	1,300	13,000
<b>Skier Total</b>		<b>116</b>	<b>50,198</b>	<b>124</b>		<b>52,350</b>

When benchmarking our ticket rates, we are priced well relative to the competition and our product. We have made some significant rate adjustments over the past 5 years as a result of making a number of operational improvements. We can make small changes in pricing during holiday periods, but guests seem to like our simple pricing strategy.

An important part of ticket sales revenue is the ticket revenue portion of the lift/lesson/rental (LLR) packages. Benchmarking our rates against other ski areas shows that we are very competitive and offer a good value to our customers with a good return to Tahoe Donner.

## Food and Beverage

Food and Beverage revenue is directly related to our skier totals. Over the past five years, we have averaged \$6.18 per skier, including discounts (employee) and other revenue.

Calendar Year	2009	2010	2011	2012	YTD	Average	Target
# of Skiers	53,352	60,994	44,422	32,963	37,134	45,773	52,350
Food sales	252,526	291,968	227,863	182,747	243,098		241,981
\$ per skier	\$4.73	\$4.79	\$5.13	\$5.54	\$6.55	\$5.35	
Food discounts	-16,582	-17,533	-15,970	-9,560	-16,934		-15,356
\$ per skier	-\$0.31	-\$0.29	-\$0.36	-\$0.29	-\$0.46	-\$0.34	
Beverage sales	45,718	60,600	51,942	43,590	47,753		41,958
\$ per skier	\$0.86	\$0.99	\$1.17	\$1.32	\$1.29	\$1.13	
Other revenue	1,623	1,682	2,810	1,426	2,455		2,297
\$ per skier	\$0.03	\$0.03	\$0.06	\$0.04	\$0.07	\$0.05	
<b>Total \$/Skier</b>	<b>\$5.31</b>	<b>\$5.52</b>	<b>\$6.00</b>	<b>\$6.62</b>	<b>\$7.44</b>	<b>\$6.18</b>	\$270,879
<b>Cost of Sales</b>	<b>27%</b>	<b>36%</b>	<b>30%</b>	<b>32%</b>		<b>33%</b>	<b>30%</b>

## Retail Sales

Retail sales have change dramatically over the past 5 years based on the remodel of the building and internet sales. Currently we are averaging about \$2.74 per skier visit. Our sales normally get better during stormy winters when guests are purchasing goggles, neck gators, hand warmers, hats, snow pants, and jackets.

Calendar Year	2009	2010	2011	2012	2013 YTD	Average	Target
# of Skiers	53,352	60,994	44,422	32,963	37,134	45,773	52,350
Retail sales	232,988	189,670	114,399	106,356	88,068		163,856
\$ per skier	\$4.37	\$3.11	\$2.58	\$3.23	\$2.37	\$3.13	
Retail discounts	-62,388	-44,517	-21,309	-19,485	-9,800		-33,859
\$ per skier	-\$1.17	-\$0.73	-\$0.48	-\$0.59	-\$0.26	-\$0.65	
Other revenue	13,493	14,894	11,353	8,360	9,862		13,316
\$ per skier	\$0.25	\$0.24	\$0.26	\$0.25	\$0.27	\$0.25	
<b>Total \$/Skier</b>	<b>\$3.45</b>	<b>\$2.62</b>	<b>\$2.35</b>	<b>\$2.89</b>	<b>\$2.37</b>	<b>\$2.74</b>	<b>\$143,313</b>
<b>Cost of Sales</b>	<b>54%</b>	<b>57%</b>	<b>56%</b>	<b>58%</b>		<b>56%</b>	

## Rental Shop

Rental revenue is derived from the renting of ski and snowboard equipment to the visitors of our ski area. Historically, revenue results have a direct correlation with skier totals – the more skiers we have at the hill, the more rental revenue we collect. Our rental penetration rate (percent of participants who rent) has stayed consistent around 42% over the past five years. Using this penetration rate along with our skier total target, we can target total rentals. In the 2009/10 season we saw a large boost in revenue due to our remodel of the rental shop, which allowed us to process more guests. While the shop improved after the remodel, it is still not ideal because of the restraint of staying within our existing building.

Calendar Year	5 Year Average Years							Actuals	
	3 Year Average Years						2013	Average	
	2007	2008	2009	2010	2011	2012		3-Yr	5-Yr
	Actual	Actual	Actual	Actual	Actual	Actual	Budget		
GROSS REVENUE	301,712	435,393	448,993	537,219	392,317	384,842	490,000	438,126	439,753
Payroll Total (Direct + Burden)	-93,425	106,025	108,176	136,310	103,562	-98,428	119,600	112,767	110,500
Total Operating Expenses	-20,078	-19,473	-19,203	-21,331	-20,010	-15,434	-22,400	-18,925	-19,090
TOTAL Payroll & Operating Expense	113,503	125,498	127,379	157,642	123,572	113,862	142,000	131,692	129,591
<b>NET OPERATING RESULTS (NOR)</b>	<b>188,209</b>	<b>309,895</b>	<b>321,614</b>	<b>379,577</b>	<b>268,746</b>	<b>270,979</b>	<b>348,000</b>	<b>306,434</b>	<b>310,162</b>

## Ski School and Snowflakes

Our lesson penetration rate has averaged 20% over the past five years. Using this penetration rate along with our skier total target, we can target total ski school utilization and revenue very accurately. Another source of revenue for the ski school is the TD Tykes, Recreational Ski Team and Race Team. These programs have increased and decreased throughout the past five years based on a few different factors, primarily weather. Another impact is that other resorts started offering similar local programs at affordable rates. This past season we began offering all

day lessons for ages 4-12, which included lunch. This product was a huge success. Next season we will have a yurt in place to easily facilitate lunches for this service. In recent years, more resorts have begun offering group lesson for 3 year olds, which has taken some business from us because the parents can ski or ride a larger mountain. In 2010 we added the 150-foot learning center conveyer, which has significantly improved our lessons.

The chart below is a detailed view of our ski school. We have changed many products over the years to meet the demand of our guests. One impact is in private lessons products. In 5 years we have doubled the number of private lesson hours taught. This is common in the industry as more guests desire one-on-one attention.

<b>Lessons</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>5 Year Average</b>
1/2 Day-LLR Ski Adult	654	872	897	350	916	<b>738</b>
1/2 Day-LLR Ski Child	1,067	1,682	1,760	819	1,728	<b>1,411</b>
Full Day-LLR Ski Child					423	<b>423</b>
1/2 Day-LLR SB Adult	605	734	481	206	470	<b>499</b>
1/2 Day-LLR SB Child	637	877	806	407	541	<b>654</b>
Full Day-LLR SB Child					195	<b>195</b>
Lesson Adult Ski	142	152	148	83	162	<b>137</b>
Lesson Child Ski	240	395	466	167	379	<b>329</b>
Lesson Adult SB	165	124	98	25	68	<b>96</b>
Lesson Child SB	150	255	207	55	122	<b>158</b>
1 Hr Private Ski	1,393	1,174	903	340	948	<b>952</b>
2 Hr Private Ski			200	97	132	<b>143</b>
3 Hr Private Ski		316	510	255	516	<b>399</b>
6 Hr Private Ski			8	10	38	<b>19</b>
1 Hr Private SB	396	417	184	37	166	<b>240</b>
2 Hr Private SB			33	8	18	<b>20</b>
3 Hr Private SB		53	101	23	89	<b>67</b>
6 Hr Private SB			6	1	8	<b>5</b>
<b>Total Hours of Privates</b>	<b>1,789</b>	<b>2,698</b>	<b>3,470</b>	<b>1,487</b>	<b>3,505</b>	<b>3,056</b>
<b>3-6 Year Lessons</b>						
Snowflakes- All Day					572	<b>572</b>
Snowflakes- Half Day	3,039	4,023	4,278	2,083	2,841	<b>3,253</b>
Shredders- All Day					76	<b>76</b>
Shredders- Half Day			213	95	170	<b>159</b>
<b>Total Lessons</b>	<b>8,488</b>	<b>11,074</b>	<b>11,086</b>	<b>5,061</b>	<b>10,578</b>	<b>9,257</b>
<b>Lesson Penetration Rate</b>	<b>17%</b>	<b>18%</b>	<b>19%</b>	<b>23%</b>	<b>22%</b>	<b>20%</b>

## Financial Results - Ski School and Snowflakes

### Ski School

Calendar Year	5 Year Average Years							Actuals	
				3 Year Average Years					
	2007	2008	2009	2010	2011	2012	2013	Average	
Actual	Actual	Actual	Actual	Actual	Actual	Budget	3-Yr	5-Yr	
GROSS REVENUE	179,225	285,163	285,712	376,804	356,611	304,519	390,000	345,978	321,762
Payroll Total (Direct + Burden)	-155,745	-200,068	-200,388	-194,724	-200,296	-192,419	-231,800	-195,813	-197,579
Total Operating Expenses	-5,996	-10,176	-10,805	-6,418	-5,663	-5,496	-10,200	-5,859	-7,712
TOTAL Payroll & Operating Expense	-161,741	-210,244	-211,193	-201,142	-205,959	-197,915	-242,000	-201,672	-205,291
<b>NET OPERATING RESULTS</b>	<b>17,484</b>	<b>74,919</b>	<b>74,519</b>	<b>175,661</b>	<b>150,652</b>	<b>106,604</b>	<b>148,000</b>	<b>144,306</b>	<b>116,471</b>

### Snowflakes

Calendar Year	5 Year Average Years							Actuals	
				3 Year Average Years					
	2007	2008	2009	2010	2011	2012	2013	Average	
Actual	Actual	Actual	Actual	Actual	Actual	Budget	3-Yr	5-Yr	
GROSS REVENUE	142,919	170,311	216,153	284,597	256,600	208,226	280,000	249,808	227,177
Payroll Total (Direct + Burden)	-98,810	-98,190	-116,288	-138,405	-124,534	-70,974	-125,200	-111,304	-109,678
Total Operating Expenses	-4,258	-5,766	-3,283	-2,418	-1,806	-2,026	-5,800	-2,083	-3,060
TOTAL Payroll & Operating Expense	-103,068	-103,956	-119,572	-140,823	-126,340	-73,000	-131,000	-113,388	-112,738
<b>NET OPERATING RESULTS</b>	<b>39,851</b>	<b>66,355</b>	<b>96,582</b>	<b>143,774</b>	<b>130,260</b>	<b>135,226</b>	<b>149,000</b>	<b>136,420</b>	<b>114,439</b>

### Downhill Ski Area- Consolidated Financial Statement

The following table is a consolidated financial statement on a calendar year basis:

Calendar Year	2008	2009	2010	2011	2012	2013	Average	
	Actual	Actual	Actual	Actual	Actual	Budget	3-Yr	5-Yr
Winter F&B- Revenue	278,498	283,285	336,717	266,646	218,202	<b>287,000</b>	273,855	276,669
Retail- Revenue	194,718	183,988	160,047	104,442	95,230	<b>125,000</b>	119,906	147,685
Rental- Revenue	435,393	448,993	537,219	392,317	384,842	<b>490,000</b>	438,126	439,753
Ski School- Revenue	285,163	285,712	376,804	356,611	304,519	<b>390,000</b>	345,978	321,762
Snowflakes- Revenue	170,311	216,153	284,597	256,600	208,226	<b>280,000</b>	249,808	227,177
Ticket Office- Revenue	864,159	886,325	1,087,927	781,243	697,555	<b>935,000</b>	855,575	863,442
<b>GROSS REVENUE</b>	<b>2,228,243</b>	<b>2,304,456</b>	<b>2,783,311</b>	<b>2,157,859</b>	<b>1,908,574</b>	<b>2,507,000</b>	<b>2,283,248</b>	<b>2,276,488</b>
COST OF GOODS SOLD- F&B	-94,923	-85,758	-104,016	-88,555	-81,123	-96,000	-91,231	-90,875
COST OF GOODS SOLD- Retail	-109,332	-111,315	-91,338	-56,521	-49,690	-67,000	-65,850	-83,639
<b>GROSS MARGIN</b>	<b>2,023,987</b>	<b>2,107,383</b>	<b>2,587,957</b>	<b>2,012,783</b>	<b>1,777,761</b>	<b>2,344,000</b>	<b>2,126,167</b>	<b>2,101,974</b>
Payroll Total (Direct + Burden)	-1,081,933	-1,121,035	-1,232,381	-1,222,435	-1,144,273	-1,408,800	-1,199,696	-1,160,411
Total Operating Expenses	-551,602	-462,489	-534,396	-559,970	-417,479	-580,200	-503,948	-505,187
<b>TOTAL Payroll &amp; Operating Exp.</b>	<b>-1,633,535</b>	<b>-1,583,523</b>	<b>-1,766,776</b>	<b>-1,782,405</b>	<b>-1,561,752</b>	<b>-1,989,000</b>	<b>-1,703,644</b>	<b>-1,665,598</b>
<b>NET OPERATING RESULTS (NOR)</b>	<b>390,452</b>	<b>523,860</b>	<b>821,226</b>	<b>230,378</b>	<b>216,009</b>	<b>355,000</b>	<b>422,538</b>	<b>436,385</b>

## **IV. Facility Needs Analysis**

The Tahoe Donner Downhill Ski Area has achieved a very attractive niche in the Lake Tahoe ski area community that should be supported and maintained. This niche is captured by our mission statement, “The Best Place to Begin”.

Our Ski School program, the attractiveness of our hill for beginners, accessibility, the availability of over 85 qualified instructors, and our perceived value all contribute to making our ski area the choice for member, guests and public families with children ages 3 - 12.

The Downhill Ski Area has increased and stabilized skier visits over the last 5 years, to over 50,000 skier visits a season, which depend on weather and snow conditions. While the ski area enjoys an enviable niche, the full potential of the operation has not been realized because of the deficiencies in facilities during peak periods.

This section below address the ongoing deficiencies in the current facility and its operation, summarizes the improvements that have been completed in the past few years, and details the operational needs moving forward.

### **Downhill Ski Area**

The Downhill Ski Area is limited by its size and terrain to a family oriented beginning-intermediate facility with a ski school emphasis, with a season capacity of approximately 50,000 skier visits, an average of 420 skiers per day throughout the season, ranging from an average of 160 skiers per day during mid-week periods to an average of 1,500 skier per day during prime holidays, to a high of 2,200 skiers during some peak days.

### **Downhill Ski Lodge**

The current lodge is approximately 14,200 square feet. The building was built in phases; the earliest sections are 40 years old and there are numerous space and layout inadequacies, and maintenance issues. Since 2008, a number of facility, equipment, and operational improvements have been accomplished as follows:

- ✓ The rental program has been greatly expanded with reconfiguration of the space and equipment purchases. The improvement in customer flow and computerization has expedited the rental procedure and reduced waiting time.
- ✓ The Snowflakes program has been expanded to increase volume and improve service.
- ✓ The storage areas have been consolidated and improved.
- ✓ Lifts have been upgraded with a new conveyor lift replacing the rope tow, and comfort bars added to both aerial lifts. A new conveyor lift was added to the beginning teaching area to decrease the uphill walking and improve the lesson experience.
- ✓ The dining area has been rearranged to improve flow and reduce congestion.

## Rental Shop

Improvements in the Rental Shop have significantly improved utilization and the customer service experience. Net Operating Results (NOR) for this operation has grown from \$188K in 2007/08 to \$462K in 2012/13 (due to price and volume changes). We have been able to accommodate more customers as a result of adding 35% more rental inventory to the shop. However, the Rental Shop is still limited by size and layout. The rental experience is still quite unpleasant during peak periods. One-hour-long rental waits are not uncommon and hundreds of customers may be turned away as the shop runs out of equipment. This experience does not convince our customers that we are “the best place to begin”.

## Snowflakes

Changes to the Snowflakes program have allowed staff to convert ½ of the Snowflakes room into a Snowflakes only rental shop. While this helps reduce the burden on the regular rental shop, and allows Snowflakes participants an expedited rental process, it is a less than ideal scenario because non – Snowflake parents or siblings must still go through the regular shop, and it is inefficient from a staffing perspective.

## Ski School Customer Lunch Room

Our Ski School programs are extremely popular. The national ski area average for lessons per skier visits is 8.2%, with the Northwest being at 5.9%. Tahoe Donner’s lessons per skier visits ratio is 20%.

As “the best place to begin”, lessons are our bread and butter and we want to continue to improve this experience for our customers. Staff feels we can still increase this ratio with all day lessons and more instructors. The following chart shows how this ratio has trended over the past few years. As is the case with the Rental Shop, the number of skiers we can accommodate in lessons is limited by size and space. Staff has plans to temporarily address this issue this summer by installing a yurt structure just above the Learning Center location to provide a space for ski school customer lunches and breaks.

	Seasons					
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
# of Skier and Rider Visits	51,311	49,931	60,848	59,239	22,235	48,151
Lesson % on Skier Visits	18%	17%	18%	19%	14%	22%
Rentals % on Skier Visits	32%	28%	34%	34%	39%	38%

## Ski School Teaching Area

Learning terrain is one of our biggest problems; we just don’t have enough space for our beginner skiers and riders. Here are our current learning areas:

<b>Beginner Terrain Areas</b>	<b>Description</b>	<b>Terrain</b>	<b>Capacity</b>
Magic Carpet	70 Foot Conveyor	Flat to uphill	50 beginner Small Children (lesson only)
Learning Center Conveyor	150 Foot Conveyor	Flat to uphill	60 beginner Children/ Adults (lesson only)
Caterpillar Conveyor	400 Foot Conveyor	Steep to mellow flat	50 Level 3 or greater (Public)
Snowbird	Aerial Double Chair	Mellow, steep, to flat	Level 4 and up that can ride chair lift (Public)
Eagle Rock	Aerial Quad Chair	Mile Run- Steep, to flat to down terrain.	Level 4 and up that can ride chair lift (Public)

Currently we don't allow public on our two teaching conveyors, because they become congested with students and instructors. The Caterpillar conveyor is not ideal for beginner lessons because of the steep start, which makes it difficult for beginners to stop.

### **Food and Beverage**

There are two elements to the food and beverage deficiencies – one is the kitchen and related resources (cooking area, food service area, and storage), and the second is the customer seating area.

During the lunch rush, the line at the cafeteria can be frustrating for our patrons. The current layout allows for only two customers at a time to be served at the grill. In recent years we have mitigated the impact on the food service area by reconfiguring the grab and go and drink areas, and adding an outside BBQ that we operate during peak periods. While these improvements have helped our challenges, they still exist. Without a major change to the size of the food service area, this will continue.

The second issue with our food and beverage operation is the seating capacity. Our indoor seating capacity is currently at 130 - 150 (82 chairs and 8 benches tables). Once a customer finally gets their food during peak periods, there is seldom a place to sit. Over the years, staff has made minor improvements in our number of seats, but we still have major issues. This problem is compounded when the weather is bad and everyone is trying to sit inside. This is an issue on any given weekend – not just peak periods. During peak periods comments such as, “It is like a sardine can in here” are the norm.

### **Parking**

The ski hill has additional lift capacity even when the current parking lots are full. Presently, the four tier lots contain 194 spaces, the Slalom lot contains 60 spaces, and the Town of Truckee has permitted 65 road-side spaces on one side of Snowpeak and Slalom Ways. With the addition of the fourth lot in 2012, the operation is able to accommodate the vehicle load for about 1,100 – 1,300 skiers.

When our skier count is expected to exceed this amount, we park our staff remotely and use the staff parking lot for our customers (40 additional spots – this is a sensitive subject as it is not part of our agreement with the Lodge Condo Assn). This will accommodate

approximately 100+ more skiers depending on the number of people per vehicle. Beyond 1,500 skiers, our parking situation deteriorates quickly as customers who park outside of our permitted areas have a long walk and are subject to potential parking violations from the Town of Truckee.

### **Ticket Office**

The indoor ticket office is our primary sales location. All lesson products and services are sold through this location. As a result, transactions can take a little longer and therefore maximizing space to accommodate the largest number of Point of Sale (POS) terminals is critical. During our remodels, the sales/purchase experience was significantly improved, as we added 3 sales terminals and moved most of the terminals to an indoor location, out of the weather. We also gained the ability to sell tickets in the rental shop, but this transaction point is still only used for non-lesson purchases (transaction time/waiver). Additional terminals would be ideal to facilitate a more efficient sales experience (not necessarily in the primary ticket sales location).

### **Restrooms**

This facility is extremely short on restroom facilities for the volume of people we are hosting. The downstairs restrooms are small and difficult to locate. Upstairs, we only have 1 set of restrooms with two facilities in each. These facilities fall far short of acceptable standards for utilization and access.

### **Terrain and Lifts**

On busy days Snowbird and Eagle Rock lift lines are affected by similar influences. Both lifts are servicing beginner skiers and riders, and both are fixed grip chairs, so they are deliberately run at a very slow speed to be less intimidating. However, Snowbird is the only chairlift that is impacted by volume. The uphill capacity of Eagle Rock is sufficient as this lift does not experience capacity issues and lift lines are seldom longer than 15 minutes. While an additional lift on the backside of the mountain would open up approximately 40 more acres of beginner/intermediate terrain and reduce some of the pressure from Snowbird, we should also consider additional options as Snowbird is 40+ years old and will need to be replaced at some point in the near future. Lift capacities are as follows:

<b>Lift</b>	<b>Uphill Capacity In Skiers/Hour</b>	<b>Vertical Transport Feet/ Hour</b>
Eagle Rock	1,970	969K
Snowbird	900	228K
Caterpillar Conveyor	1,600	124K
Magic Carpet	800	8K
Learning Center Conveyor	1,600	16K



## **Employee Areas**

We have more than 185 employees working at the Ski Area, including 100+ ski instructors and 30 lift operators. During peak periods, nearly all of these employees are scheduled. The staff break room and ski school locker room are completely inadequate to service the needs of the staff members - the ski school locker room is simply unacceptable, and staff spill over into the Ski Patrol room for a break if there are no patients being attended to. Staff needs proper space to store equipment and take breaks.

## **Storage**

Storage requirements are significant as summer and winter operations equipment and supplies are currently stored under the deck (non-conditioned/dirt) or in one of the few closets throughout the facility. Often the location of the closet, or the security of the contents needed to be stored, cause inefficiencies in operations and/or space utilization.

## **Ski Patrol**

When the remodel of the rental shop was completed, the National Ski Patrol (NSP) locker room was sacrificed. It was a deliberate decision to increase the space constraints on the ski patrol team in order to provide a better customer rental experience. The result is a ski patrol room that is undersized. Additionally, the location of the ski patrol room is less than ideal. When we have an ambulance call, the bus pulls up to the front of the building - where all our guests are coming and going. A new location for the ski patrol room would be desirable.

## Planning Issues and Assumptions

We have identified some significant issues and constraints that are considered relevant to our planning assumptions as follows:

- Age, design, location, and size of current lodge facility.
- Limited terrain – 120 acres.
- Odd shape and size of property; dealing with multiple property lines. In fact, the current building appears to encroach on the neighboring property lines and any new structure could not be built in the current building's footprint.
- Impact of surrounding homeowner associations.
- Lack of land at the entrance to expand parking.
- Limited vehicle access to the site for winter and summer users.
- Lack of buildable sites adjacent to current lodge.
- Variability in weather and snow conditions.
- Principal use for winter season plus summer day camps serving up to 800 kids in 5 camps per week, over 8 weeks.
- Variability in use from low to average utilization vs. peak demand on 10 days/year.
- Cost vs. benefit to membership for capital investment.

Therefore, the following planning assumptions have been developed:

1. It is not desirable to build a facility to meet demand during peak use periods. As a result, facility requirements are being developed based on a utilization capacity target of 1,200 skiers per day for space planning purposes. This level of space will meet the operating needs of the amenity on all but a bout 8 - 10 peak days during each season.
2. On peak days, operational modifications, access limitations, and pricing can be used to manage excess demand and give priority to members. However, growth in utilization can be achieved during non-peak periods (mid-week, regular weekend, and regular holidays) and in early/late season periods.
3. Additional remodeling or expansion of the current structure is infeasible because it would require bringing the current structure up to current code requirements, which is virtually impossible given its age, design, size, and condition.
4. The cost of tearing down and replacing the Downhill Ski Lodge with an adequately sized facility would easily exceed \$12 million. The Association's Development Fund will not be able to support this level of expenditure for many years, if at all, and justifying that level of capital investment for a seasonal amenity would be difficult.
5. Building a sprung structure near the base lodge to provide a larger Rental Shop and reconfigure the existing rental shop space for Snowflakes and Ski School was researched in the past and was met with heavy resistance from the Ski Bowl Condominium Association owners. This option would also not address the other facility deficiencies.

6. Continued non-structural remodeling of the present building along with development of a new building is viable, since the cost of the changes to the old building would be modest, and the new structure would supplement our needs.

Therefore, in order to address the needs of the current operation, we recommend taking a phased approach to the improvements, in which a master plan is developed for the entire site, and phases are identified to implement improvements in a timely manner.

## **VI. Facility/Project Requirements**

A function by function analysis of all the operating functions and the existing building suggests that approximately 8,000 to 10,000 square feet of additional space would be required, not including the 4,200 square feet open deck.

The work could be done in two parts: (1) creating a new structure on the hill for about 8,000 - 10,000 sq. ft. on two levels, and (2) reconfiguring the existing structure.

It is important to note that a new Yurt is being installed on the hill this summer, just above the Learning Center. This facility, which includes a 30 foot diameter Yurt and a 10 foot wide surrounding deck, will better serve the needs of kids in ski school and serve as an important experiment to assess its potential for relieving some of the space constraints in the base lodge.

### **Highest Priorities**

The highest priority facility requirements are for additional:

- Indoor seating and outdoor deck space
- Kitchen and food service, including storage, refrigerator, and freezer space
- Restrooms
- Employee break and locker rooms
- Customer service space for marketing, reservations, check-in, and point of sale
- Office space
- Storage, utilities/mechanical, and laundry
- Customer service circulation and guest lockers
- Ski patrol room with ambulance access
- Reconfiguration and expansion of rental shop and Snowflakes

### **Priorities for New Structure**

The highest priorities for the new structure, to be built on two levels, would be to provide more staff space on the first level for break rooms, ski school locker room, office space, storage, ski patrol room, and other “back of house” operational needs. The upper level would be completely dedicated to new customer service spaces for another kitchen, indoor seating, rest rooms, and an outside deck.

### **Renovation of Existing Structure**

The existing structure would remain much as it is today with the outside deck, indoor seating, bar, cafeteria, kitchen and rest rooms on the upper level, with all customer service areas for ski operations on the lower level. The lower level would use the existing ski patrol room, staff break room, and ski school locker room for reconfiguration and expansion of office space, ticket sales/reservations/point of sale, retail (distributed on racks), Snowflakes and ski school check-in, rental shop, customer circulation and lockers, and local rest rooms, all configured for better customer service and workflow.

## **Site Planning and Future Options**

This conceptual plan needs to be refined and tested against the current site to determine a site plan, project plan, and cost estimates. The plan will need to consider future needs in the event that the existing structure needs to be replaced sometime in the future, and enabling better integration of the two structures into a more seamless operation. It is also desirable that the planning process consider other non-winter season uses for the facility, and enable better vehicle access for drop off and pick up capabilities.

The site plan also needs to consider reconfiguration of the hill for more efficient operations and skier use along with possible relocation and expansion of the existing conveyors, replacement of the Snowbird lift, and the possibility of creating a back side chair lift. The new chair lift would be north facing and has approximately the same slope characteristics as the present Snowbird lift (on the ski hill side of Skislope Way). This terrain will complement our existing terrain and be perfect for our customer base.

## **Parking**

Parking will always be limited, but our current configuration, with the recent expansions, can meet our target demand. Member access can also be accommodated on peak days with mitigation steps being taken. Some tweaks and improvement of existing lots and road side parking may be possible. That being said, it providing access for drop off and pick up, would help improve access, reduce congestion, and take some pressure off of the need to provide more parking spaces.

## **Conclusion**

While these recommendations are ambitious, they are necessary to maintain and sustain our operations over time, and to improve our customer service experience for our members and their guests. Significant investment can be deferred and timed to enable the Association to generate the Development Fund expenditure levels to perform them. In the meantime, the current facilities can be well maintained with the funding stream being provided by the Replacement Reserve Fund, with the possibility of small Development Fund projects along the way.

## Appendices

**Tahoe Donner Association**  
**Operating Fund 9-Year Actuals and CY Budget**  
**Consolidated Downhill Ski**  
For the Month Ending

Calendar Year	5 Year Average Years										Actuals	
	2004	2005	2006	2007	2008	2009	3 Year Average Years			2013	Average	
							2010	2011	2012		Budget	3-Yr
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	3-Yr	5-Yr
<b>GROSS REVENUE</b>	<b>1,756,340</b>	<b>1,463,222</b>	<b>1,750,426</b>	<b>1,594,060</b>	<b>2,228,243</b>	<b>2,304,456</b>	<b>2,783,311</b>	<b>2,157,859</b>	<b>1,908,574</b>	<b>2,507,000</b>	<b>2,283,248</b>	<b>2,276,488</b>
<b>COST OF GOODS SOLD</b>	<b>-148,740</b>	<b>-151,366</b>	<b>-170,169</b>	<b>-151,527</b>	<b>-204,256</b>	<b>-197,073</b>	<b>-195,308</b>	<b>-145,076</b>	<b>-130,813</b>	<b>-163,000</b>	<b>-157,066</b>	<b>-174,505</b>
<b>GROSS MARGIN</b>	<b>1,607,600</b>	<b>1,311,856</b>	<b>1,580,256</b>	<b>1,442,533</b>	<b>2,023,987</b>	<b>2,107,383</b>	<b>2,588,002</b>	<b>2,012,783</b>	<b>1,777,761</b>	<b>2,344,000</b>	<b>2,126,182</b>	<b>2,101,983</b>
Payroll Salaries and Wages (Payroll Direct)	-777,200	-679,623	-749,122	-742,132	-878,705	-896,192	-966,600	-953,377	-861,897	-1,078,200	-927,291	-911,354
Payroll Taxes & Benefits (Payroll Burden)	-336,882	-286,886	-248,341	-197,470	-203,229	-224,843	-265,781	-269,058	-282,376	-330,600	-272,405	-249,057
<b>Payroll Total (Direct + Burden)</b>	<b>-1,114,081</b>	<b>-966,508</b>	<b>-997,463</b>	<b>-939,601</b>	<b>-1,081,933</b>	<b>-1,121,035</b>	<b>-1,232,381</b>	<b>-1,222,435</b>	<b>-1,144,273</b>	<b>-1,408,800</b>	<b>-1,199,696</b>	<b>-1,160,411</b>
Burden % of Direct	43.3%	42.2%	33.2%	26.6%	23.1%	25.1%	27.5%	28.2%	32.8%	30.7%	29.5%	27.3%
(Burden=ER's payroll taxes, workcomp, health ins, & 401k costs)												
Staff Expense	-8,819	-8,210	-11,170	-13,102	-27,664	-14,132	-11,441	-13,998	-12,490	-22,250	-12,643	-15,945
Utilities Expense	-95,202	-91,037	-92,541	-87,596	-92,451	-89,732	-94,231	-92,034	-76,721	-95,150	-87,662	-89,034
Fuel & Oil Expense	-18,499	-19,032	-31,727	-30,201	-45,306	-23,197	-36,428	-47,287	-41,265	-32,500	-41,660	-38,697
Supplies & Maintenance Expense	-153,000	-127,736	-159,168	-187,657	-184,475	-129,313	-176,788	-167,650	-97,886	-137,314	-147,441	-151,222
Insurance Expense	-119,197	-109,954	-115,058	-92,895	-112,400	-114,600	-89,810	-91,000	-85,800	-112,200	-88,870	-98,722
Administration, Mktg & Other Expense	-60,247	-46,856	-47,915	-35,964	-45,658	-45,274	-63,646	-95,813	-67,839	-126,296	-75,766	-63,646
Printing & Postage	-4,953	-2,346	-986	-1,812	-1,373	-1,081	-2,209	-1,633	-51	-160	-1,298	-1,269
Credit Card Fees	-31,761	-51,315	-32,311	-35,411	-42,274	-45,160	-59,842	-50,556	-35,427	-54,330	-48,608	-46,652
<b>Total Operating Expenses</b>	<b>-491,677</b>	<b>-456,486</b>	<b>-490,877</b>	<b>-484,638</b>	<b>-551,602</b>	<b>-462,489</b>	<b>-534,396</b>	<b>-559,970</b>	<b>-417,479</b>	<b>-580,200</b>	<b>-503,948</b>	<b>-505,187</b>
<b>TOTAL Payroll &amp; Operating Expense</b>	<b>-1,605,759</b>	<b>-1,422,995</b>	<b>-1,488,340</b>	<b>-1,424,239</b>	<b>-1,633,535</b>	<b>-1,583,523</b>	<b>-1,766,776</b>	<b>-1,782,405</b>	<b>-1,561,752</b>	<b>-1,989,000</b>	<b>-1,703,644</b>	<b>-1,665,598</b>
<b>NET OPERATING RESULTS (NOR)</b>	<b>1,841</b>	<b>-111,138</b>	<b>91,917</b>	<b>18,293</b>	<b>390,452</b>	<b>523,860</b>	<b>821,226</b>	<b>230,378</b>	<b>216,009</b>	<b>355,000</b>	<b>422,538</b>	<b>436,385</b>
Cost Recovery Ratio	84.4%	78.6%	87.6%	82.2%	101.4%	129.4%	141.9%	112.0%	112.8%	116.5%	122.2%	119.5%